

## Message Text

CONFIDENTIAL

PAGE 01 STATE 014642

61

ORIGIN EB-11

INFO OCT-01 ARA-16 ISO-00 TRSE-00 COME-00 CIAE-00 INR-10

NSAE-00 RSC-01 TAR-02 AID-20 FRB-02 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 L-03 H-03 NSC-10

SS-20 STR-08 CEA-02 /141 R

66612

DRAFTED BY:TREAS:RSELF//EB/OT/STA:TEDEAL

1/22/74 EXT 20645

APPROVED BY:EB/OT:MWGLITMAN

EB/OT/GCP:JEO'MAHONY ARA/BR:DKEMP

TREAS:MMARKS TREAS:WBARREDA (INFO)

----- 064991

R R 231515Z JAN 74

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L STATE 014642

E.O. 11652: GDS

TAGS: ETRD, BR

SUBJECT: BRAZILIAN FOOTWEAR: COUNTERVAILING DUTY COMPLAINT

REFS: (A) BRASILIA 8118; (B) STATE 229853 AND PREVIOUS

1. IN SEPTEMBER 1973, TREASURY SECRETARY SHULTZ DISCUSSED FOOTWEAR COMPLAINT AND OVERALL U.S. DOMESTIC POLICY PROBLEMS ARISING FROM INCREASED BRAZILIAN FOOTWEAR IMPORTS WITH BRAZILIAN FINANCE MINISTER DELFIM NETTO AT NAIROBI. AS FOLLOW-UP TO THAT MEETING TREASURY ASSISTANT SECRETARY HENNESSY WROTE VILAR DE QUEIROZ, SUMMARIZING BRIEFLY ALLEGATIONS OF BOUNTIES OR GRANTS BEING PAID ON BRAZILIAN SHOE EXPORTS AND URGING DISCUSSIONS WITH TREASURY OFFICIALS RESPONSIBLE FOR ADMINISTERING COUNTERVAILING DUTY LAW. VILAR'S REPLY, WHICH CAME TWO MONTHS LATER, IMPLIED THAT IN  
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PAGE 02 STATE 014642

BRAZILIAN VIEW NO BOUNTIES OR GRANTS WERE BEING PAID

WITHIN MEANING OF U.S. STATUTE. VILAR ALSO POINTED OUT THAT IMPORT DATA FROM FIRST SEVEN MONTHS OF 1973 WERE INADEQUATE "TO MAKE FINAL JUDGMENTS ON MATTER" AND INDICATED THAT GOB WOULD BE READY TO RE-EXAMINE PROBLEM WITH USG BY MID-1974 WHEN MORE INFORMATION WOULD BE AVAILABLE "TO EVALUATE DEFINITE TRENDS OF THE DOMESTIC MARKET AND IMPORTS."

2. RAPID GROWTH IN BRAZILIAN FOOTWEAR IMPORTS HAS RESULTED IN CONSIDERABLE DOMESTIC PRESSURE ON TREASURY FOR ALLEGED FAILURE TO ENFORCE COUNTERVAILING DUTY LAW. THIS COMES AT INOPPORTUNE TIME SINCE SENATE FINANCE COMMITTEE WILL SOON TAKE UP TRADE BILL, WHICH INCLUDES IMPORTANT AMENDMENTS TO COUNTERVAILING DUTY LAW. ACCESSION TO BRAZILIAN REQUEST TO POSTPONE DISCUSSIONS UNTIL MID-1974 WOULD PUT ADMINISTRATION IN DIFFICULT POSITION DURING HEARINGS AND COULD POSSIBLY ENDANGER OTHER PROVISIONS IN TRADE BILL WHICH ADMINISTRATION CONSIDERS IMPORTANT TO RETAIN. MOREOVER, IMPORT DATA ARE NOT RELEVANT TO TECHNICAL QUESTIONS AS TO WHETHER BOUNTIES OR GRANTS ARE BEING PAID ON EXPORTS TO THE U.S.

3. IN ABSENCE OF INFORMATION FROM GOB REGARDING ASSISTANCE OFFERED LOCAL SHOE EXPORTERS, TREASURY HAS AUTHORITY UNDER THE LAW TO RELY ON "BEST INFORMATION AVAILABLE", WHICH FOR ALL PRACTICAL PURPOSES WOULD MEAN RELIANCE ON INFORMATION SUPPLIED BY COMPLAINANT.

4. FURTHERMORE, COUNTERVAILING DUTY ACTION BY U.S. ON BRAZILIAN FOOTWEAR MIGHT INDUCE OTHER U.S. INDUSTRIES TO SEEK SIMILAR PROTECTION AGAINST OTHER BRAZILIAN EXPORTS UNDER THE STATUTE. SINCE BRAZIL'S EXPORT INCENTIVE PROGRAM IS GENERAL AND NOT LIMITED TO SHOES, AN AFFIRMATIVE FINDING ON FOOTWEAR IMPLIES A JUDGMENT ON THE WHOLE SYSTEM.

5. TREASURY HAS MADE REPEATED EFFORTS, THUS FAR UNSUCCESSFUL, TO PERSUADE BRAZILIANS OF NEED FOR FULL AND FRANK DISCUSSIONS CONCERNING ALLEGED SUBSIDIES PAID ON SHOE EXPORTS. WE ARE AWARE OF BRAZILIAN DIFFICULTIES AND CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 014642

RELUCTANCE TO CONFRONT PROBLEM DURING TRANSITION PERIOD PRIOR TO INAUGURATION OF GEISEL ADMINISTRATION IN MID-MARCH. HOWEVER, IN VIEW OF CONGRESSIONAL PRESSURE AND PRIMA FACIE EVIDENCE OF BRAZILIAN SUBSIDIZATION OF EXPORTS, BILATERAL DISCUSSIONS MUST BE INITIATED AT EARLIEST POSSIBLE DATE IF CONSEQUENCES INIMICAL TO BOTH PARTIES ARE TO BE AVOIDED.

6. EMBASSY REQUESTED TO DISCUSS PROBLEM FRANKLY WITH SENIOR LEVEL GOB OFFICIALS. WE WOULD PREFER THAT BRAZILIANS SEND APPROPRIATE OFFICIALS PROMPTLY TO WASHINGTON TO DISCUSS THE TECHNICAL ASPECTS OF ALLEGED SUBSIDIES WITH APPROPRIATE TREASURY OFFICIALS. HOWEVER, IF BRAZILIANS FIND THIS INCONVENIENT, TREASURY IS PREPARED TO SEND OFFICERS TO BRAZIL FOR SUCH DISCUSSIONS, ALONG WITH EMBASSY OFFICERS. KISSINGER

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPORT SUBSIDIES, SHOES, COUNTERVAILING DUTIES, NEGOTIATIONS  
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**Copy:** SINGLE  
**Draft Date:** 23 JAN 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
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